

IT Investment Selection

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Outline

- **IT Legislation Compliance**
- **Using the Balanced Scorecard:
Some MITRE Research**
- **A 7-Step Process to IT Investment
Planning**
- **Appropriate Metrics**
- **Cultural Barriers**

IT Legislation Compliance: Better Management

- **CFO Act (1990): Financial Management**
- **GPRA (1993): Financial Management and Resource Management (Planning)**
 - Human
 - Capital
 - Information
 - Other
- **PRA (1995): Information Resource Management**
- **ITMRA (1996): Information Technology Management**
 - Capital Planning and Investment Controls
 - Performance- and results-based management

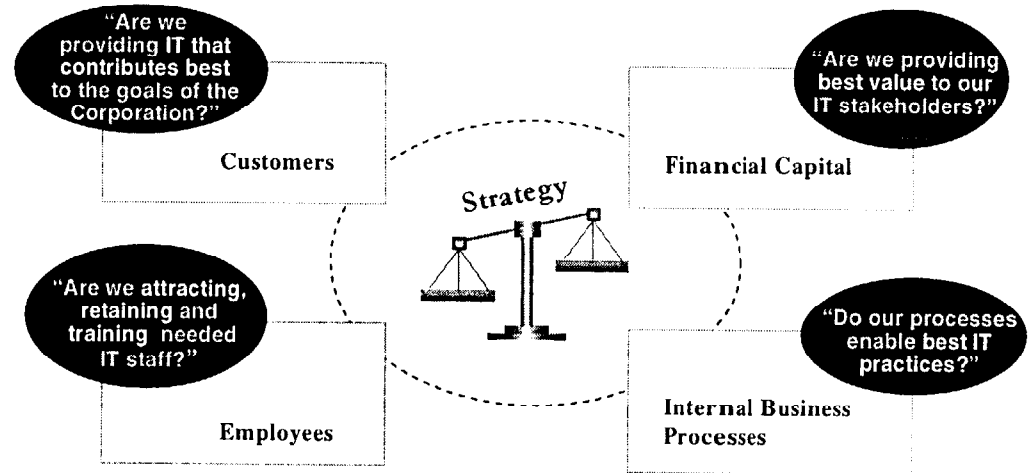
IT Legislation Compliance GPRA 2000?

- **Rumor: All IT Legislation blanketed by one name, GPRA 2000**
- **Questionnaire to facilitate Congressional Review:
www.house.gov/science/gao.html**
- **OMB Guidance**
 - **CFO Act: OMB Circular A-123 (revised), June 21, 1995**
 - **GPRA: OMB Circular A-11**
 - **Paper Reduction Act: OMB Circular A-130**
 - **Clinger-Cohen Act: “Memorandum for Heads of Executive Departments and Agencies,” by Director Franklin O. Raines (Raines’ Rules)**

Using the Balanced Scorecard: Some MITRE Research (1 of 2)

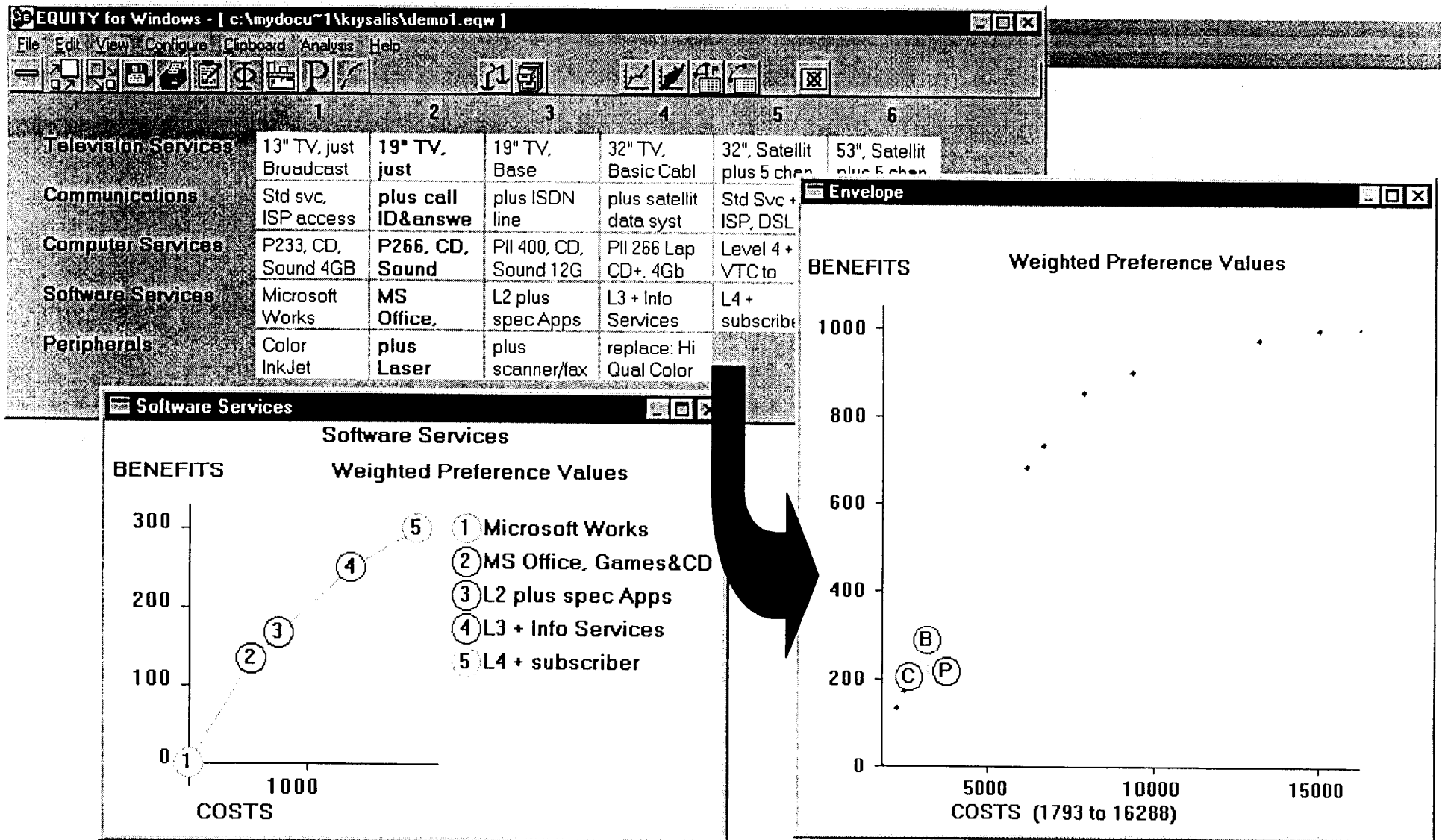
- The BSC evaluates “benefits” of investments in terms of financial and non-financial impacts

- Typical Scorecard:

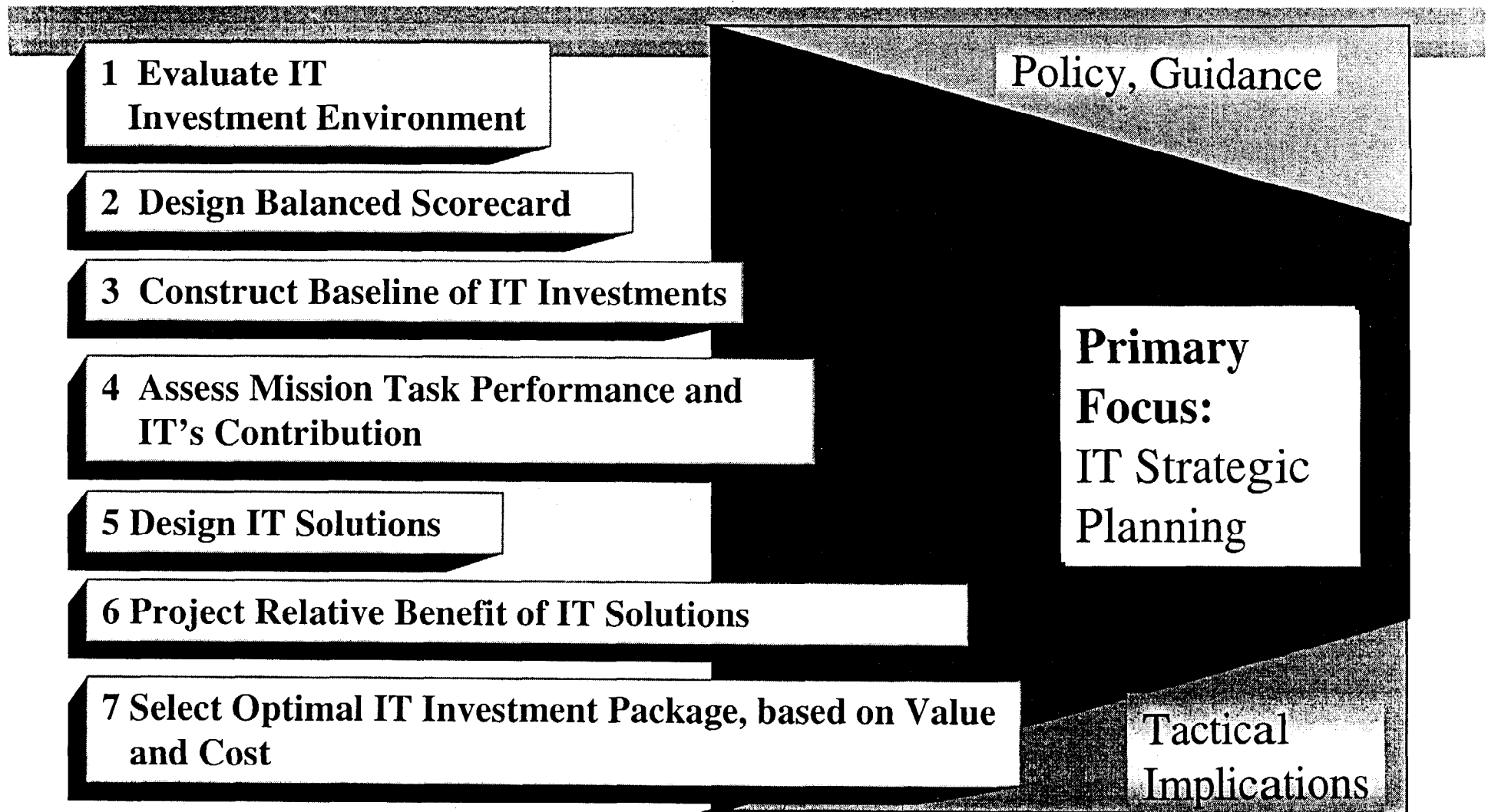


- Research extends the BSC approach used in some commercial firms to DoD IT investment programs
 - Public sector environments are not profit-driven, yet, must show the efficiency of a profit-driven enterprise
 - May use additional decision analysis tools on top of BSC framework

Using the Balanced Scorecard: Some MITRE Research (2 of 2)



A 7-Step Process to IT Investment Planning



Process Outputs

**1 Evaluate IT
Investment Environment**

Establish assumptions for framework

2 Design Balanced Scorecard

Create "tailor-torset" framework for IT
Investment evaluation and decision-making

3 Construct Baseline of IT Investments

Provide cost data used in financial
scenarios and IT portfolio analysis

**4 Assess Mission Task Performance and
IT's Contribution**

Identify IT Investment areas to seed
strategic planning for IT investment choices

5 Design IT Solutions

Build Incremental IT
Investment Packages

6 Project Relative Benefit of IT Solutions

Prioritize IT Investment
strategies

**7 Select Optimal IT Investment Package , based on
Value and Cost**

Maximize Bang for the
IT Buck

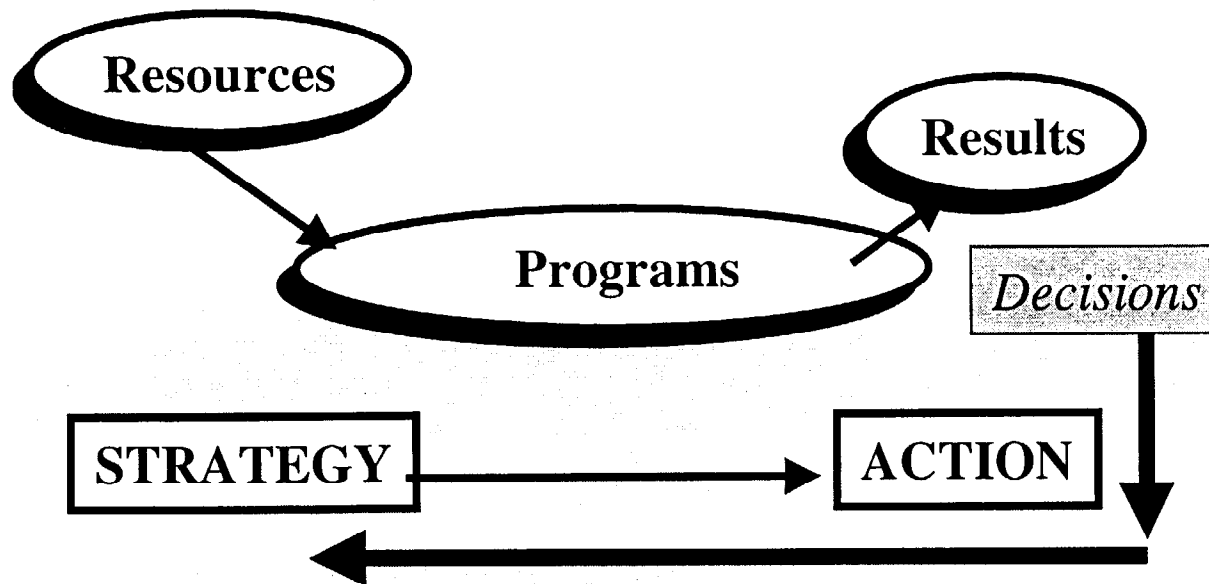
Appropriate Metrics

- Appropriate: performance indicators that are used to make decisions
- Good starting place: Raines' Rules #4, "ROI"
 - Direct Mission Impact
 - Capability Enhancements (for soldier, leader, civilians)
 - Systems Efficiencies
 - Costs Saved
- DoD Performance Measurement Guide lists 15-20 examples of metrics that are useful
 - Where appropriate in the "Select--Control--Evaluate" model is unclear
- ITIPs to develop some performance measures

Cultural Barriers

- **Services and Agencies have been allocating budgets for a long time without GPRA-aligned plans (e.g., the POM process)**
- **They face legislative limitations which limits ‘optimal’ tradeoffs to discretionary spending**
- **Accountability is not always traceable from the strategy to the action**

Link Resources to Results by Turning Strategy into Action through Decisions



Only measure performance if you are going to use that information in some way to make a decision.